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Papandreou Austerity Plan Attacked

By HENRY KAMM
Special to The New York Times

ATHENS, Oct. 20 — Prime Minister Andreas Papandreou will be spending this week in Athens defending his economic austerity measures, which are causing political dissent and labor unrest, rather than celebrating the 40th anniversary of the United Nations in New York.

Mr. Papandreou canceled his scheduled visit on Oct. 12, a day after he announced the package of economic moves intended to curtail rapidly rising foreign indebtedness. The drachma was devalued by 15 percent, wage increases severely limited, imports curbed and new taxes imposed.

The deficit in Greece's accounts topped $2 billion by the end of July, dashing the Government's hope of keeping it at that ceiling for all of 1985. Estimates of Greece's total foreign debt range from $15 billion to more than $20 billion.

The measures, particularly the virtual freeze on automatic wage increases linked to the cost of living, provoked the most serious dissension in the governing Socialist Party since it came to power in 1981.

8 Union Leaders Expelled

Last Thursday eight union leaders who disagreed with the measures were expelled from the party. Three of them had been members of the policy-making central committee.

The eight joined leaders of unions affiliated with Greece's two Communist parties in calling for a series of 24-hour general strikes beginning Monday.

The Prime Minister's cancellation of his trip to the United States, where he lived for two decades and whose citizen he had been, comes at a time when Greek-American relations, at low ebb since he came to power, are improving. For that reason, Greek and American officials reject rumors that Mr. Papandreou is staying home because he was not invited to a private meeting with President Reagan.

Mr. Papandreou clearly wants such a meeting, largely for the lift it would give to his Government by enhancing Greece's standing in international financial circles. The good will of bankers and foreign investors is vital to the Government's hope of reversing its economic plight.

Mr. Papandreou is unlikely to be invited to the White House until he lifts his threat that Greece will expel the four American military bases in 1988, when the agreement on the bases makes that possible. The United States is pressing for assurances of the bases' continuation now, before proceeding with costly modernization work. The Prime Minister, who believes that small countries can cope with major powers only by keeping them guessing, is doing that in this case.

But after years of telling his own party and public that the bases would be closed in 1988, Mr. Papandreou told the party's central committee last month that those who believed that Greece could "here and now" eject the bases and withdraw from the North Atlantic Treaty Organization and the European Common Market had "their heads in the clouds."

The Prime Minister had been beating a gradual retreat from his 1981 pledges to quit the alliance and the Market. The statement last month was the first time that he appeared to step back from the promised ouster of the bases.

Four days later, in a further indication of what is seen here as Mr. Papandreou's newfound pragmatism, he dropped from his party's ruling executive 8 of its 11 members, including those known to have agitated for more Socialist policies at home and a sharper turn away from the West in foreign policy. They were replaced with men known largely for submissiveness to their leader.

Greece has also taken steps to try to soothe American concern about two security issues that helped to give the Papandreou Government a reputation for being NATO's weak link. It has made significant improvements in its antiterrorist posture as a result of a United States "travel advisory" warning Americans against a high risk of terrorism at Athens Airport after the hijacking of a Trans World Airlines plane last June, even though Greece considered the advisory unwarranted.

The Papandreou Government viewed the "advisory," which some officials estimate may have cost Greece as much as $300 million in lost tourist revenues, as an act of punishment for the Prime Minister's occasional anti-American outbursts. At the same time, it considers the lifting of the advisory as a turning point, giving rise to the present cautious optimism on both sides for better relations.

Cooperating With U.S. Security

American and international authorities now consider Athens security on a par with that of other Western airports. Greek security officials have begun cooperating with American colleagues and are preparing to send agents for training in the United States. Moreover, Greece has warned Arab countries about terrorist activity in Greece.

In the field of security against espionage, Greece was reliably reported to have acted on information from the Central Intelligence Agency on possible spies named by Sergei Bokhan, a senior official of Soviet military intelligence stationed here until he defected to the United States in May.

Apparently as a result, American hesitations about proceeding with a $1 billion sale of 40 F-16 jet fighters seem on the way to being overcome, and the sale may be concluded before the end of the year.

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